

**THE GREATER BATON ROUGE ECONOMIC PARTNERSHIP, INC.**

Baton Rouge, Louisiana

**FINANCIAL REPORT**

December 31, 2005

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 8-9-06

**THE GREATER BATON ROUGE ECONOMIC PARTNERSHIP, INC.**

Baton Rouge, Louisiana

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
The Greater Baton Rouge Economic Partnership, Inc.  
Baton Rouge, Louisiana

We have audited the accompanying statement of financial position of **THE GREATER BATON ROUGE ECONOMIC PARTNERSHIP, INC.** (a non-profit organization) as of December 31, 2005, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Chamber's 2004 financial statements that were audited by other auditors whose report dated July 16, 2005, expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **THE GREATER BATON ROUGE ECONOMIC PARTNERSHIP, INC.** as of December 31, 2005, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 2, 2006, on our consideration of the **THE GREATER BATON ROUGE ECONOMIC PARTNERSHIP'S** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of our audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Faulk & Winkler, LLC*

Certified Public Accountants

Baton Rouge, Louisiana  
May 2, 2006

**THE GREATER BATON ROUGE ECONOMIC PARTNERSHIP, INC.**

Baton Rouge, Louisiana

**STATEMENT OF FINANCIAL POSITION**December 31, 2005  
(with comparative amounts for 2004)**ASSETS**

	<u>2005</u>	<u>2004</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 446,298	\$ 117,968
Accounts receivable and other	<u>229,546</u>	<u>105,948</u>
 Total assets	 <u>\$ 675,844</u>	 <u>\$ 223,916</u>

**LIABILITIES AND NET ASSETS****CURRENT LIABILITIES**

Accounts payable	\$ 66,384	\$ 29,887
Due to related party	81,886	122,565
Deferred revenue:		
Programs	319,690	19,102
Other	<u>-</u>	<u>4,568</u>
 Total liabilities	 <u>467,960</u>	 <u>176,122</u>

**NET ASSETS - UNRESTRICTED**

Unrestricted	57,884	47,794
Temporarily restricted	<u>150,000</u>	<u>-</u>
 Total net assets	 <u>207,884</u>	 <u>47,794</u>
 Total liabilities and net assets	 <u>\$ 675,844</u>	 <u>\$ 223,916</u>

The accompanying notes to financial statements  
are an integral part of this statement.

# THE GREATER BATON ROUGE ECONOMIC PARTNERSHIP, INC.

Baton Rouge, Louisiana

## STATEMENT OF ACTIVITIES

For the year ended December 31, 2005

(with comparative amounts for 2004)

	Temporarily		Totals	
	Unrestricted	Restricted	2005	2004
<b>REVENUES</b>				
Program services:				
Capital Regional Competitive Strategy	\$ 319,473	\$ -	\$ 319,473	\$ 698,018
Parent University	57,108	-	57,108	-
Katrina	2,850	200,000	202,850	-
Leadership	30,250	-	30,250	29,928
Teens as Leaders	7,747	-	7,747	10,808
Community Report Card	4,031	-	4,031	5,076
Economic development	-	-	-	50,000
Other:				
Interest	113	-	113	97
Net assets released from restrictions	50,000	(50,000)	-	-
Total revenues	471,573	150,000	621,573	793,927
<b>EXPENSES</b>				
Program services:				
Capital Regional Competitive Strategy	334,685	-	334,685	752,158
Parent University	57,558	-	57,558	-
Katrina	31,500	-	31,500	-
Leadership	25,985	-	25,985	26,734
Teens as Leaders	7,747	-	7,747	10,808
Community Report Card	4,008	-	4,008	5,088
Economic development	-	-	-	50,000
Citizens Task Force	-	-	-	48
Total expenses	461,483	-	461,483	844,836
Increase (decrease) in net assets	10,090	150,000	160,090	(50,909)
<b>NET ASSETS</b>				
Beginning of year	47,794	-	47,794	98,703
End of year	\$ 57,884	\$ 150,000	\$ 207,884	\$ 47,794

The accompanying notes to financial statements  
are an integral part of this statement.

**THE GREATER BATON ROUGE ECONOMIC PARTNERSHIP, INC.**

Baton Rouge, Louisiana

**STATEMENT OF CASH FLOWS**

For the year ended December 31, 2005

(with comparative amounts for 2004)

	<u>2005</u>	<u>2004</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 160,090	\$ (50,909)
Changes in operating assets and liabilities:		
Increase in accounts receivable	(123,598)	(35,480)
Increase in accounts payable	36,497	28,841
Increase (decrease) in due to related party	(40,680)	42,424
Increase in deferred revenue	<u>296,020</u>	<u>(2,395)</u>
Net cash provided (used) by operating activities	328,330	(17,519)
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>117,968</u>	<u>135,487</u>
End of year	<u>\$ 446,298</u>	<u>\$ 117,968</u>

The accompanying notes to financial statements  
are an integral part of this statement.

**THE GREATER BATON ROUGE ECONOMIC PARTNERSHIP, INC.**  
Baton Rouge, Louisiana

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Business**

The Greater Baton Rouge Economic Partnership, Inc. (the Partnership) was incorporated on April 19, 1994 and was formed as a public non-profit organization under Internal Revenue Code Section 501(c)(3). According to its by-laws, the mission of the Partnership is to benefit and increase the quality of life of the general public in and around the Baton Rouge area by promoting and supporting activities and functions that attract business, educate the public, and create jobs that otherwise tend to increase economic growth and development in the region.

**Basis of Presentation**

The financial statements of the Partnership have been prepared on the accrual basis. The significant accounting policies are described below to enhance the usefulness of the financial statements. These financial statements include only activities and transactions of the Partnership.

The Partnership reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. There were no permanently restricted net assets at December 31, 2005.

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Partnership's financial statements for 2004, from which the summarized information was derived.

The statement of activities presents expenses functionally, as program services.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates are used primarily when accounting for the allowance for doubtful accounts and deferred revenue.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash and cash equivalents**

For purposes of the statement of cash flows, the Partnership's cash and cash equivalents consist of cash held in checking and money market accounts and certificates of deposit with maturities of less than 90 days. There are no cash equivalents as of December 31, 2005.

**Promises to Give**

Contributions are recognized when the donor makes a promise to give to the Partnership that is, in substance, unconditional. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to the appropriate classification. Contributions to permanently restricted funds are restricted by the donor and must be maintained in perpetuity. Revenue earned must be spent according to the donor's stipulations. There were no permanently restricted net assets at December 31, 2005.

**Grant revenue recognition**

Grants that represent exchange transactions are recorded as a receivable when the grant costs are incurred and reimbursable.

Grants that represent contributed support are recognized in the same manner as promises to give.

**NOTE 2 - RELATED PARTY TRANSACTIONS**

The Partnership owes The Greater Baton Rouge Chamber of Commerce, Inc. (Chamber) \$81,886 for various program expenses. There was a total of \$187,152 in reimbursements to the Chamber in 2005.

**NOTE 3 - CONCENTRATION OF CREDIT RISK**

At various times during the year, cash and cash equivalents on deposit with one banking institution exceeded the \$100,000 amount insured by the Federal Deposit Insurance Corporation. Management monitors the financial condition of the institution on a regular basis, along with its balances in cash and cash equivalents, to minimize potential risk.



**Special Independent Auditors' Report**

**THE GREATER BATON ROUGE  
ECONOMIC PARTNERSHIP, INC.**

Baton Rouge, Louisiana

December 31, 2005



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Board of Directors  
The Greater Baton Rouge Economic Partnership, Inc.  
Baton Rouge, Louisiana

We have audited the financial statements of **THE GREATER BATON ROUGE ECONOMIC PARTNERSHIP, INC.** (the Partnership) (a non-profit organization) as of and for the year ended December 31, 2005, and have issued our report thereon dated May 2, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Partnership's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting, that, in our judgment, could adversely affect the Partnership's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as Item 2005-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements, caused by error or fraud, in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses.

However, the reportable condition described above is also considered to be a material weakness as defined above.

## Compliance

As part of obtaining reasonable assurance about whether the Partnership's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* as item 2005-2.

This report is intended for the information of the Board of Directors, management, state and federal granting agencies, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

*Faulk & Winkler, LLC*

Certified Public Accountants

Baton Rouge, Louisiana  
May 2, 2006

**THE GREATER BATON ROUGE ECONOMIC PARTNERSHIP, INC.**  
Baton Rouge, Louisiana

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

December 31, 2005

**A) SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an unqualified opinion on the financial statements of The Greater Baton Rouge Economic Partnership, Inc.
2. There is one internal control finding that is described in Item 2005-1.
3. There was one instance of noncompliance material to the financial statements in relation to this audit described in Item 2005-2.

**B) FINDINGS – FINANCIAL STATEMENT AUDIT**

**2005-1 Segregation of Duties/Cash Administration**

**Observation:** There is not sufficient segregation of duties to have effective internal control. The finding results from the small size of the organization. These limitations allow no opportunity for meaningful segregation of duties.

Additionally, in 2005, bank reconciliations were performed by the controller who plays a significant role in the accounting process and also has check signing authority.

**Recommendation:** We recommend that the treasurer or an appropriate executive of management review the following:

- Check disbursements and related supporting documentation.
- Monthly financial statements, including detailed general ledger review.
- Receive the unopened bank statement for review prior to delivery to the accounting department,
- Monthly cash reconciliations.

Additionally, we recommend that check signing authority of the controller be eliminated and that the cash reconciliation process be separated from the basic accounting processes so that someone with independence relative to the controller performs this function.

**Management's corrective action plan:** Management concurs with the recommendation and is considering the following:

- The executive director will begin receiving and reviewing the monthly bank statements.
- A staff member, independent of accounting, will begin reconciling the bank statement monthly,
- The Chamber's controller will continue to sign (with the CEO's signature) and mail check disbursements.

## **2005-2 Cost Reimbursement Substantiation and Reimbursement Submission**

**Observation:** We have the following observations:

- The Partnership has not obtained sufficient documentation relating to travel expenses subject to reimbursement. Total costs of approximately \$1,300 were supported only by credit card statements that lacked the appropriate level of detail required. Such costs were disallowed for reimbursement.
- Additionally, cost reimbursements totaling approximately \$137,000 relating to the last five months of 2005 were not submitted until April 2006 and approximately \$59,000 has not been received as of June 2006. However, this reimbursement has been recorded as a receivable in the 2005 financial statements.

**Recommendation:** We recommend that the Partnership initiate policies and procedures to ensure amounts included in cost reimbursement reports are properly documented by vendor receipts. Supporting documentation should be verified and assembled on a monthly basis. The cost reimbursement reports should be submitted within 15 days following the end of each quarter or when the applicable state agency approves the submission.

**Management's corrective action plan:** Management concurs with this finding and will initiate procedures to obtain appropriate support to verify payments made by credit cards. Furthermore, reimbursement reports will be submitted on a timely basis.